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UNCLAS SECTION 01 OF 03 RANGOON 000668

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SENSITIVE

STATE FOR EAP, INL/LP (ABIGAIL SMITH), INL/PC, INL/AAE; DEA
FOR OF, OFF; USPACOM FOR FPA

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TAGS: [SNAR](#) [KCRM](#) [BM](#)

SUBJECT: BURMA: 2005 COUNTERNARCOTICS REPORT CARD

REF: A. SECSTATE 94578

[1](#)B. 04 SECSTATE 246838

[1](#)C. RANGOON 11

[1](#)D. 04 RANGOON 680

[1](#)1. (U) This message responds to ref A request for a report card on the Government of Burma's cooperation on counternarcotics efforts (based on benchmarks established in November 2004, ref B, and delivered to the GOB in December 2004, ref C) in preparation for the annual certification process.

[1](#)2. (SBU) Begin Text of Certification Report Card:

a. The USG requested that the GOB take demonstrable and verifiable actions against high-level drug traffickers and their organizations, such as arresting and convicting leading drug producers and traffickers. Assessment: Insufficient cooperation.

The GOB has taken no significant action in response to the unsealing in January 2005 of U.S. federal court indictments against eight leaders of the notorious United Wa State Army (UWSA), a kingpin organization cited in a series of drug-related charges.

The GOB cooperated with the DEA in a joint investigation that disrupted an international trafficking group reportedly associated with the UWSA. The group has ties throughout Asia, India, and North America and was responsible for trafficking over 1,800 kilos of heroin between 2001 and 2004. A seizure in July 2004 of 591 kilos of heroin led to the arrest and conviction of 36 suspects and the extradition to Burma of several suspects from China and Thailand.

In 2004, according to official statistics, Burma arrested 4,153 suspects on drug related charges (1,468 suspects during the first four months of 2005) and extradited 14 drug traffickers to China and Thailand. During the first few months of 2005, Burma again cooperated with China and Thailand in several cases leading to the extradition of traffickers to/from Burma.

b. The USG asked the GOB to continue good efforts on opium poppy eradication and provide location data to the U.S. for verification purposes; increase seizures of opium, heroin, and methamphetamines and destroy production facilities; adopt meaningful procedures to control the diversion of precursor chemicals. Assessment: Adequate cooperation overall, though inadequate for joint opium survey.

Burma's most significant counternarcotics achievement has been the reduction of poppy cultivation and opium production. Although Burma remains the world's second largest producer of illicit opium, eradication efforts, enforcement of poppy-free zones, and alternative development (including crop substitution) have combined to reduce opium production to less than five percent of the opium produced in Afghanistan. The 2004 joint U.S.-Burma opium yield survey concluded that the total area under poppy cultivation had declined by 34 percent from the previous year and opium production had dropped 40 percent (an 89 percent decline over the past eight years).

The GOB failed in 2005 to provide sufficient cooperation to support the annual U.S.-Burma joint opium yield survey. In large part due to this lack of cooperation, for the first time in nine years the survey did not take place. The Government did support an annual UNODC-sponsored survey, for which the USG provided a financial contribution.

GOB seizures of illicit drugs have dropped considerably in recent years. The GOB argues that declining seizures reflect declining production. However, a 60 percent drop in opium seizures in 2004 (to just over 600 kilos) greatly exceeds the 40 percent decline in opium production. A 41 percent increase in heroin seizures in 2004 was more encouraging, as was the 342 kilos of opium seized during the first four

months of 2005. The GOB only destroyed one heroin lab in 2004.

Burma does not have a significant chemical industry and the GOB recognizes the threat posed by the trafficking of precursor chemicals. The GOB's Precursor Chemical Control Committee has identified 25 chemical substances, including caffeine and thionyl chloride, and prohibited their import, sale, or use.

c. The USG urged the GOB to establish a mechanism for the reliable measurement of methamphetamine production and demonstrate progress in reducing production (e.g., destruction of labs) and increasing seizures, particularly focusing increased illicit drug seizures on gangs on the borders with China, India, and Thailand. Assessment: Insufficient cooperation.

Burma remains a primary source of ATS produced in Asia, although the GOB does not have a mechanism for the measurement of ATS production. Methamphetamine production and trafficking has exploded over the past three years, yet seizures in 2004 (8.3 million tablets) were 74 percent less than peak seizures in 2001. The GOB destroyed only one meth lab in 2004.

A joint DEA-GOB investigation culminated in two seizures during the first five months of 2005 that netted over 280 kilos of crystal methamphetamine.

d. The USG asked the GOB to continue cooperation with China and Thailand and expand cooperation to other neighboring countries, such as India, Laos, and Vietnam, to control the production and trafficking of illicit narcotics and the diversion of precursor chemicals. Assessment: Adequate cooperation.

The GOB maintains a regular dialogue on precursors with India and China, and in 2004 expanded the dialogue to include Laos and Thailand. As a result, India and China have taken steps, including the creation of exclusion zones, to divert precursors away from Burma's border areas. Burma has experienced difficulties with drug abuse and crime associated with the illegal import from India of codeine-based cough syrup, regulated in Burma but available over the counter in India. A bilateral dialogue recently resulted in Indian efforts to substitute codeine with a synthetic substitute.

Burma and Thailand jointly operate border liaison offices and recently established ten additional offices in four Mekong countries. Burma and Laos, with the assistance of the UNODC, have established joint anti-drug patrols on the Mekong River.

GOB cooperation with China and Thailand has yielded arrests and seizures, though the law enforcement relationship with India has been less productive. Nonetheless, GOB counterdrug officials meet on a monthly basis with Indian counterparts at the field level at various border towns.

e. The USG requested that the GOB enforce existing money-laundering laws, including asset forfeiture provisions, and fully implement and enforce Burma's money-laundering legislation passed in June 2002. Assessment: Insufficient cooperation.

In 2004, the GOB made significant progress in fulfilling the money-laundering concerns of the Financial Action Task Force (FATF). After an 18-month investigation, in April 2005 the GOB revoked the banking licenses of Myanmar Mayflower Bank and Asia Wealth Bank for violations of banking law. There was no mention of money laundering in the government's determination, however authorities told FATF they are continuing a money laundering investigation into the two banks' activities.

Despite the GOB actions, Burma remained on FATF's list of "Non-Cooperative Countries and Territories" due to lingering concerns over the high threshold reporting amount (\$100,000), the Central Bank's lack of independence, and links of private banks to narcotics traffickers. Likewise, there are concerns over the limited number of reports issued by banks and the unclear actions of authorities to investigate these reports. The GOB lacks the will and technical capability to enforce its money-laundering regime, and rampant corruption makes enforcement even more questionable. Despite their claims to FATF, the GOB did not make public the results of its investigation into Myanmar Mayflower Bank and Asia Wealth Bank.

f. The USG urged the GOB to prosecute drug-related corruption, especially corrupt government and military officials who facilitate drug trafficking and money laundering. Assessment: Inadequate cooperation.

In October 2004, the military regime ousted Prime Minister General Khin Nyunt, accusing him and hundreds of his military intelligence subordinates of illegal activities conducted in the drug producing and trafficking areas of northern Shan

State. However, none of these officials has been charged with drug-related offenses and no Burmese Army officer over the rank of full colonel has ever been prosecuted for drug offenses.

According to the GOB, over 200 police officials and 48 Burmese Army personnel were punished for narcotics-related corruption or drug abuse between 1995 and 2003--though none over the past two years.

g. The USG asked the GOB to expand demand-reduction, prevention, and drug-treatment programs to reduce drug use and control the spread of HIV/AIDS. Assessment: Insufficient cooperation.

The GOB's demand-reduction, prevention, and drug-treatment programs suffer from inadequate resources and a lack of senior-level government support, and are insufficient to deal with the scope of a growing abuse problem. The UNODC estimates that the addict population could be as high as 300,000 abusers, including up to 130,000 injecting drug users and 15,000 regular ATS users.

Burmese demand reduction programs are in part coercive and in part voluntary. The Ministry of Health's drug treatment and rehabilitation centers have provided treatment to only 55,000 addicts over the past eleven years.

The UNODC and international NGOs--including CARE, World Concern, and PSI--have effective demand reduction programs, though the GOB's increasingly restrictive posture toward NGOs in general makes expansion of such programs unlikely.

Although Burma has a national HIV/AIDS program, UNAIDS and INGOs (such as PSI and MSF) lead the most successful HIV/AIDS prevention programs, including condom distribution and prevention education. Burma participates in UNAIDS regional activities and is a Global Fund recipient country, but because of the high levels of corruption within the government, UNDP handles all fund management. The GOB's "AIDS Prevention and Control Programme" carries out some prevention programs and the latest figures (1999) indicate an annual government contribution of a mere \$13,000.

End Text of Certification Report Card.
Martinez